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Food Business Line

Periodic Press Translations from ATO Tokyo

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Report Highlights: A summary of current news reports in America's largest food and agricultural export market as translated from Japan's mass media and food press. This issue includes: Carrefour Japan plans to set its own food safety standards for the products it sells; Japanese food manufacturers announce major recall of processed food products containing banned flavorings supplied by Kyowa Perfumery & Chemical Co.; the Tokyo Metropolitan Government finds excessive pesticide levels in Chinese frozen spinach sold at *Lawson* convenience stores; and the Hokuren (Hokkaido) Agricultural Cooperative plans to expand its food safety inspections of fresh produce by 10% this year.

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Food Business Line

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Retail/Wholesale

- *Carrefour Japan* plans to set its own food safety standards for the products it sells. These standards, which would include issues such as the level of agricultural pesticide residues for produce and the amount of food additives used in processed products, are expected to be stricter than the government's JAS standard. Using a third-party certifier, *Carrefour* plans to label the products that pass inspection with a "Quality Line" mark. The first product with this label is expected to be introduced by the end of this year, and the system is eventually expected to include 20-25 products. (b 6/6)
- Three months have passed since *Daiei* announced its restructuring plan. The company's total sales in May increased 2% over the same month last year on a same-store basis, representing a slight improvement, but not quite reaching the target increase projection 6 percent. Several of the "Category Value Center" specialty stores, such as the one in Chiba's large Lala Port shopping center, are not enjoying sales as strong as expected, so *Daiei*'s future will depend heavily on July sales. (b 6/6)
- A number of major retail food wholesalers have begun to cooperate with leading food service operators on procurement and distribution of food ingredients. For example, *Ryoshoku* plans to supply *Royal*'s restaurants, as well as its take-out business which includes *bento* lunch boxes and *sozai* side dishes. *Ryoshoku*'s contract with *Royal* totaled only 1 billion yen (\$8.2 million) in 2001, but is estimated to reach as high as 17 billion yen (\$139.8 million) by 2004. *Kokubu* also plans to cooperate with *SHiDAX* institutional food service group to expand its employee cafeteria and hospital meal businesses. Major frozen food wholesaler *Yukiwa* also has launched a fresh food products division to serve the food service industry. (b 6/4)

Food Service

- *Wakana*, subsidiary of national supermarket retailer *Seiyu*, plans to open a chain of small-scale "Wakana" *bento* lunch box stores. It plans to open 50 stores by February 2003 and 100 stores by 2004. The outlets mainly will be located near railway stations, with some stores in metropolitan areas which will be open 24 hours a day. (a 6/13)

Food Processing/New Products/Market Trends

- A number of major Japanese food manufacturers have announced that they will recall a wide range of processed food products which contain flavorings that are banned for use as food ingredients under the Food Sanitation Law. The affected manufacturers include *Ezaki Glico Co.*, *Bourbon Corp.*, *Kyowa Hakko Kogyo Co.*, *Riken Vitamin Co.*, and *Snow Brand Milk Products*. These companies were all supplied with flavorings using the banned ingredients (acetaldehyde, propionaldehyde and castor oil) by Tokyo-based flavor manufacturer *Kyowa Perfumery & Chemical Co.* (a 6/3)

- The recent discovery on May 31 that *Kyowa Perfumery & Chemical Co.* produced and sold an unauthorized flavor additive has forced more than 20 food manufacturers to recall products. With *Kyowa Perfumery* shipping the additive to more than 600 firms, more food producers will likely be forced to take similar steps. The incident underscores the structural problem within the Japanese food industry that can allow food safety to be compromised by a single ingredient producer. (a 6/5)
- The Tokyo Metropolitan Government announced on June 5 that an excessive amount of pesticide has been found in frozen spinach from China sold in prepared meals at *Lawson* convenience stores. The amount was 14 times higher than permitted by the Food Sanitation Law. According to company officials, *Lawson* disposed of all of its cooked spinach meals in stock by May 27 and switched to domestically produced spinach on May 31. The spinach used by *Lawson* was part of a 40-ton shipment imported in February and April by major Japanese trading firm *Marubeni Corporation*. (a 6/6)
- In order to regain consumer confidence following recent food safety scandals, *Hokuren (Hokkaido Agricultural Cooperative)* plans to expand its inspections of fresh produce under its "Clean Do" food safety inspection system by 10% this year over last year. The "Clean Do" program was started by *Hokuren* in 1999 for the purpose of providing guidance to supermarkets and restaurants in the Hokkaido region on producing safe food and reducing the amount of agricultural pesticides used. (b 6/4)

ATO/Cooperator/Competitor Activities/Trade Shows

- The *European Organic Food Promotion Association* and *Carrefour Japan* held seminars on the organic certification system in Europe at three of *Carrefour's* stores in Japan on June 5-6. (f 6/13)
- The price of kiwi fruit in Japan was 12% higher this May compared to the same period last year. In fact, New Zealand "gold kiwis" sold for twice as much this May compared to last year. (a 6/14)

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Sources

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| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal |
| (c) The Japan Food Journal | (d) The Beverage & Food News Commentary |
| (e) The Japan Food News | (f) The Food Industry News |

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